


Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: November 18, 2014

SUBJECT: Fiscal Impact Statement – “Pay-for-Success Intermediary Agreement
Emergency Approval Resolution of 2014”

REFERENCE: Draft Resolution as provided to the Office of Revenue Analysis on
November 13, 2014

Conclusion

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the resolution, conditional on the Council approval of a reprogramming request¹ the Executive submitted to fund the resolution.

The cost of the resolution is \$2,899,287 in FY 2015, and \$10,588,700 in the FY 2015 through FY 2018 budget and financial plan. The Executive has submitted a reprogramming request to Council to fund this initiative from recurring revenues. If the reprogramming is approved, those revenues will be dedicated to the Pay for Performance Fund² in the financial plan.

The Council should note that while the Mayor has identified recurring revenue sources for the maximum amounts which may become due, identification of potentially available funds alone may not be sufficient to realize the funds to pay the amounts of the contract approved by this resolution. The contract does identify the need for future appropriations (although not by direct reference to Congressional approval) and does provide for termination events if those appropriations are not forthcoming, but, by signing this agreement, the District is obligating itself to identify and set aside future amounts it currently is not authorized to spend.

¹ Reprogramming of local funding requested by the Mayor’s Office of Budget and Finance on November 13, 2014.

² “Pay for Success Contract Authorization,” Sections 1131 through 1134 of “Fiscal Year 2015 Budget Support Act of 2014,” Projected Law date December 27, 2014 (Act 20-0424; 61 DCR 9990).

The Honorable Phil Mendelson

FIS: "Pay-for-Success Intermediary Agreement Emergency Approval Resolution of 2014," Draft Resolution as provided to the Office of Revenue Analysis on November 13, 2014.

Background

The Resolution approves a Pay for Performance contract with Social Finance, Inc. and Social Finance District of Columbia Teen Pregnancy Prevention and Educational Attainment 2014 Manager, Inc. ("Contractor") through FY 2019. The Contractor will manage an educational program aimed at reducing teen pregnancy and school suspensions, and will be paid annually based on the level of success, beginning in FY 2017. The contract outlines the criteria for success tied to observed reductions in teen pregnancy and school suspension rates after the educational program is implemented. If a minimum performance threshold is not met, then the District will not be required to pay the Contractor.

Financial Plan Impact

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the resolution conditional on the Council's approval of the reprogramming request the Executive submitted. The cost of the bill is \$2,899,287 in FY 2015, and \$10,588,700 in the FY 2015 through FY 2018 budget and financial plan. The Executive has submitted a reprogramming request from recurring revenues to fund this initiative. If the reprogramming is approved, those revenues will be dedicated to the Pay for Performance Fund in the financial plan.

The contract provides for a range of possible payments to the Contractor depending on performance results, but the fiscal impact analysis assumes the maximum payout will be made. The contract sets a maximum District payment amount of \$10,588,700 for the life of the contract, which runs through 2019. Additionally, the contract requires³ that the District request appropriations in every year of the financial plan as outlined in the table below.

It is possible that budget savings, or reduced budget increases, will be realized if District teen pregnancy and school suspensions are reduced. The exact savings are difficult to predict, however, and there is no guarantee that savings will translate to a budget decrease for District agencies. Those agencies may find costs rising in other areas of their budget. Therefore, we assume maximum cost and no savings in this cost estimate.

Maximum District payments to the Contractor under the contract terms FY 2015 through FY 2018					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Maximum District payment under the contract terms	\$2,899,287	\$2,899,287	\$2,899,287	\$1,890,839	\$10,588,700

³ Section 4.2 of the proposed contract provided to the Office of Revenue Analysis on November 12, 2014.